AUTOMATED CLEARING HOUSE (ACH) PROCESSING

USER MANUAL
REVISED NOVEMBER, 2017
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OBJECTIVES

The electronic funds transfer (EFT) payment feature often referred to as the Automated Clearing House (ACH) payment feature provides districts with a secure and efficient vendor payment option. ACH is the electronic transfer of funds from LACOE thru a county-contracted bank and deposited directly into a vendor's designated bank checking account.

Out of country vendors are not eligible for ACH.

This manual covers the features and functions of ACH payment method. Users are provided with step by step procedures for Enrollment, Set-Up, and Maintenance.

The manual will provide users the tools to:

- Understand the ACH Process
- Understand the security set-up for district staff involved in the ACH process
- Provide guidance on the ACH Payment Method enrollment process
- Define banks
- Create bank accounts
- Change vendors to ACH payment method
- Process preconfirmation vouchers
- Confirm vendors for regular ACH payments
- Understand the payment schedule
- Recognize changes in the voucher panels
- Maintain ACH Reject E-mail Notification Panel
- Unconfirm vendors and change back to warrant payment method
- Understand the ACH Reports
INTRODUCTION

WHAT IS ACH?

- ACH or Automated Clearing House is an alternative payment method that allows school districts to pay its invoices through a direct deposit to the vendor’s financial institution or bank.

- ACH Debit – A vendor will initiate transfer of money from payer account (Vendor pulls money from district’s account - LACOE does not support this type of ACH).

- ACH Credit – payer credits the vendor’s account for payment specified by the payer (district pushes payment to vendor’s account - This is the type of ACH supported by LACOE).

- ACH payments can be made only to US based banks.

ADVANTAGES OF ACH PAYMENT METHOD

- Direct payment ensures that invoices are paid timelier.

- Direct payment eliminates the possibility of a warrant payment being lost or delayed in the mail.

- Direct payment translates into savings when discounts are offered by the vendor.

ACH SAFETY CONCERNS

- Commercial Warrants are mailed or distributed from district premises and can be held by the district if needed. Payments made via ACH does not have this option. Once an ACH file is generated, there is no chance to stop the payment.

- Internal controls need to be carefully reviewed and understood to safeguard the district funds.

- LACOE recommends districts follow appropriate security set-up to segregate responsibilities for staff who will be involved in this process.
DEFINITION OF TERMS

Electronic Transfer of Funds (EFT)

The electronic transfer of funds from LACOE to a county-contracted bank and then deposited directly into a vendor's designated banking account.

Automated Clearing House (ACH)

Specific mode of ACH used at LACOE's PeopleSoft Financial Systems. EFT and ACH are the same.

Routing Transit Number (RTN)

Routing Transit Number is a nine digit bank code, used in the United States to uniquely identify a bank. This information is provided by the vendor when they fill out the ACH Payment Enrollment form.

PeopleSoft uses different terms to refer to RTN from the various panels.

External Bank ID

This is the same as RTN and found in the Banks/Counterparties panel

Bank ID

This the same as RTN and found in the Banks/Counterparties panel

DFI ID (Department of Financial Institutions ID)

Same as RTN and found in the Vendor Bank Accounts panel

Bank Account

This field is found in the Vendor Bank Accounts panel and is used to mask the vendor's “true” bank account number. The district assigns an identifier (example: 1001, 1002 etc.) to mask the vendor's account number to restrict this information from other panels and viewers.

Description

This field is in the Vendor Bank Accounts panel and is used to enter the vendor's name.

Account #

This field is in the Vendor Bank Accounts panel. Enter the vendor's account number on this field as provided by the vendor from the ACH form.
# SUMMARY OF FORMS

<table>
<thead>
<tr>
<th>Form Number</th>
<th>Name</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>503-913</td>
<td>Electronic Funds Transfer (ACH) Payment Enrollment Form</td>
<td>Enrollment form to request for ACH. This is completed by vendors.</td>
</tr>
<tr>
<td>G3</td>
<td>Request for Action on Global/Exempt ACH Vendors</td>
<td>To enter global vendor information in PeopleSoft. Note that updates to a global vendor are done only at LACOE.</td>
</tr>
<tr>
<td>A3</td>
<td>Request for Action on Non-Global ACH Vendors</td>
<td>Internal form that can be used at the district to enter non-global vendor information in PeopleSoft and can be routed from one user to another as they perform various steps of the set-up procedures.</td>
</tr>
<tr>
<td>A4</td>
<td>Request for Un-Confirmation of Vendor ACH Status</td>
<td>Internal form used to document vendor’s reason for cancellation of participation in ACH payment.</td>
</tr>
<tr>
<td>503-911</td>
<td>PeopleSoft Operator Security Request Form</td>
<td>To request User Class ACH01, ACH02, ACH03</td>
</tr>
</tbody>
</table>

Note: All forms listed above are available from the LACOE website.

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**ACH SETUP DIAGRAM**

![Diagram of ACH setup process](image_url)
ACH USER ROLES

This document will further demonstrate the steps or procedures to be performed in setting up an ACH account for a vendor. For internal control considerations, LACOE recommends at least 3 district staff to be involved in the set-up from the following departments within the district.

<table>
<thead>
<tr>
<th><strong>ACH Procedure for a GLOBAL Vendor</strong></th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete Sections I,II and III of the ACH Form</td>
<td>Global Vendor</td>
</tr>
<tr>
<td>Complete Section IV of the ACH Form</td>
<td>Global Vendor</td>
</tr>
<tr>
<td><strong>Step 1</strong> Checking for Bank</td>
<td>District GL Staff</td>
</tr>
<tr>
<td><strong>Step 2</strong> Adding A vendor’s Bank</td>
<td>District GL Staff</td>
</tr>
<tr>
<td><strong>Step 3</strong> Adding a Vendor’s Bank Account</td>
<td>District GL Staff</td>
</tr>
<tr>
<td><strong>Step 4</strong> Complete Form G3 for Vendor Update</td>
<td>District GL Staff</td>
</tr>
<tr>
<td><strong>Step 5</strong> Vendor Update</td>
<td>LACOE</td>
</tr>
<tr>
<td><strong>Step 6</strong> Voucher Entry for Pre-confirmation</td>
<td>District AP Staff</td>
</tr>
<tr>
<td><strong>Step 7</strong> Complete Form G3 to confirm vendor</td>
<td>District AP Supervisor</td>
</tr>
<tr>
<td><strong>Step 8</strong> Vendor Confirmation</td>
<td>LACOE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>ACH Procedure for a Non-GLOBAL Vendor</strong></th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete Sections I,II and III of the ACH Form</td>
<td>Non-Global Vendor</td>
</tr>
<tr>
<td>Complete Section IV of the ACH Form</td>
<td>Non-Global Vendor</td>
</tr>
<tr>
<td><strong>Step 1</strong> Checking for Bank</td>
<td>District GL Staff</td>
</tr>
<tr>
<td><strong>Step 2</strong> Adding A vendor’s Bank</td>
<td>District GL Staff</td>
</tr>
<tr>
<td><strong>Step 3</strong> Adding a Vendor’s Bank Account</td>
<td>District GL Staff</td>
</tr>
<tr>
<td><strong>Step 4</strong> Complete Form A3 for Vendor Update</td>
<td>District GL Staff</td>
</tr>
<tr>
<td><strong>Step 5</strong> Vendor Update</td>
<td>District Buyer</td>
</tr>
<tr>
<td><strong>Step 6</strong> Voucher Entry for Pre-confirmation</td>
<td>District AP Staff</td>
</tr>
<tr>
<td><strong>Step 7</strong> Complete Form A3 to confirm vendor</td>
<td>District AP Staff</td>
</tr>
<tr>
<td><strong>Step 8</strong> Vendor Confirmation</td>
<td>District AP Supervisor</td>
</tr>
</tbody>
</table>

**Note:** Steps 5 and 8 will be performed by LACOE for global vendors.
THE ENROLLMENT PROCESS

Enrollment to the ACH Payment Method can be summarized in three easy steps.

1. District sends a letter to LACOE signifying its intent to participate in the ACH Payment Method. Letter must be addressed to the Attention of the Financial Systems Manager, SFS. The letter should also include the names and positions of the three district staff that will setup the vendors in PeopleSoft. Each person will be assigned a security class of ACH01, ACH02, & ACH03. PSFS security forms should be submitted to LACOE for each designated user.

<table>
<thead>
<tr>
<th>Class Name</th>
<th>Security Description</th>
<th>Recommended Staff Assignment</th>
<th>Staff Functions</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACH01</td>
<td>This class will set up the Bank Account for the vendor</td>
<td>A person in General Ledger</td>
<td>Step 1 - Check for Bank, Step 2 - Add Vendor Bank, Step 3 - Add Bank Account</td>
</tr>
<tr>
<td>ACH02</td>
<td>This class will link the Bank Account (setup by ACH01) to the vendor</td>
<td>A person who is assigned to vendor set-up. This will not be the same person with the ACH01 class</td>
<td>Step 6 - Vendor Update</td>
</tr>
<tr>
<td>ACH03</td>
<td>This class will confirm the ACH vendor (to enable regular ACH transactions). This class will also have the ability to authorize ACH rejection.</td>
<td>A person with high level position equivalent to voucher approver.</td>
<td>Step 8 - Vendor Confirmation</td>
</tr>
</tbody>
</table>

2. Upon receipt of the letter, LACOE staff will set-up the district as an ACH district in PeopleSoft. Each user designated in the forms will be given their security classes. District will be informed via e-mail that district is now enrolled in the ACH Payment Method.

3. District solicits vendors to be enrolled as ACH vendors. Vendors will be requested to complete form No 503-813 (Enrollment form available on the LACOE website) by providing their bank and account information.

District is now ready to setup the vendor as an ACH vendor in Peoplesoft.
VENDOR ACH SETUP IN PEOPLESOFIT

A summary of the steps needed to setup the vendor as an ACH vendor is provided below.

1. District verifies if bank information has been entered in PeopleSoft. If bank information is in the system, skip step 2 and proceed to Step 3.

2. District enters bank name and bank routing information in PeopleSoft.

3. District enters the vendor’s account information in PeopleSoft.

4. District completes designated forms to request ACH method for vendors.
   - For Global vendors – complete **Form G3** (Request for Action on Global ACH Vendor, Box A) and forward form to LACOE. LACOE will be responsible for changing the vendor to ACH method.
   - For Non-Global vendors – Initiate **Form A3** (Request for Action on Non-Global ACH Vendor Sections A-B). This form is routed to designated ACH01, ACH02 and ACH03 users who will be responsible for various actions.

5. District changes the status of vendor to default to the ACH payment method and marks the vendor for pre-confirmation. This action is done at LACOE for Global vendors.

6. District pre-confirms the vendor for ACH. This process will validate the bank information provided by the vendor on the enrollment form.
   - Prepare a voucher for $0.39 or less to be paid through ACH.
   - Perform a blind confirmation and verify vendor’s receipt of the payment.

7. District completes section on vendor confirmation using designated forms after pre-confirmation is successful.
   - Global vendors – complete **Form G3** (Request for Action on Global ACH Vendor). Mark Box B and forward form to LACOE. LACOE will be responsible for confirming the vendor for ACH method.
   - Non-Global vendors – Update Form A3 (Request for Action on Non-Global ACH Vendor). Mark Box C and forward the form to ACH03 user who will confirm the vendor as an ACH vendor.

8. District confirms the vendor for ACH payment online in PeopleSoft. This action is done at LACOE for global vendors.
- Global vendors - LACOE returns signed G3 form when confirmation online has been completed.

- Non-Global vendors – Assigned ACH 03 district user completes Form A3, Section D and signs the form to indicating completion of confirmation process.

Vendor is now set-up for regular ACH payment.
STEP BY STEP PROCEDURES

STEP 1 - CHECK IF BANK (via Routing Transit Number) EXISTS IN PEOPLESOFT

Before setting up the vendor’s bank in PeopleSoft, district should initially verify that the bank does not exist in PeopleSoft.

- Note that banks are shared by several vendors. Banks are identified by a unique **Routing Transit Number (RTN)**.
- Routing Transit Number is a nine digit bank code, used in the United States. This information is provided by the vendor when they fill out the ACH Payment Enrollment form.
- Before adding the bank information, district user should check that this Routing Transit Number has not been set up or does not exist in the system. **Verification will prevent multiple set ups of the same bank.**

**Navigation:**
Go> Define Business Rules > Define Banks/Counterparties >
Use> Banks/Counterparties > Update/Display
In the Search Box, enter the following:

- **SETID** - <Your Business Unit>
- **External Bank ID** - Enter the Routing Transit Number from the ACH Payment Enrollment Form
- Click **Search**

When Search returns a match for the bank ID or routing number, then there is no need for the district to set up a new bank code with the same routing number. The vendor’s bank is already set up in the system. Proceed to the next step (3) and add the vendor’s bank account number.
If there is no match, then the district needs to set up the bank (Step 2).

In this example – the action “Search” does not return a match. When there is no match, Peoplesoft is indicating that the Bank has not been added to the database. The user should proceed to Step 2 to set up the bank.

**STEP 2 - ADD VENDOR BANK**

**Navigation:**
Go> Define Business Rules > Define Banks/Counterparties >
Use> Banks/Counterparties > Add

On the ADD dialog box, enter the following:

- **SETID** - <Your Business Unit>
- **BANK CODE**
This is a 5 character alphanumeric field.

Bank code is user defined.

LACOE recommends that bank code should be meaningful to the user (i.e. CHASE for Chase Manhattan Bank or BOA for Bank of America).

Click **OK**

PeopleSoft opens the **Banks/Counterparties panel**.

The district enters the following information:

1. **Description** - Bank Name
2. **Location** - LACOE recommends using District Office (i.e. 99999)
3. **Short Desc** - Enter a short name for the bank
4. **Bank ID** - This is the Routing Transit Number (RTN). This is a 9 character numeric field uniquely identifying a bank. This information is found on the vendor’s ACH Payment Enrollment Form.

**SAVE the panel.**

**NOTE:** There is internal validation for Routing Transit Numbers in PeopleSoft

If the Routing Transit Number (RTN) is invalid or nonexistent, a warning message will be displayed and the user will not be able to save the information. If this is the number provided on the ACH form, the user will have to contact the vendor to validate the information.
This is an example of an invalid Routing Transit Number and message displayed when user tried to save the information.

**STEP 3 - ADD THE VENDOR’S BANK ACCOUNT**

Navigation: Go> Administer Procurement > Maintain Vendors > Use> Vendor Bank Accounts > Update/Display>[SetID]>[Search]

Select (highlight) the vendor’s Bank and associated Bank ID Number. Click OK.
PeopleSoft opens the **Vendor Bank Accounts** panel; user enters the following information:

1. **Bank Account** – This is a 4 character user defined alphanumeric field that serves as an identifier or a mask to the vendor’s bank account. This mask is designed to hide the vendor’s account number from all other panels in PeopleSoft.

   **LACOE recommends using all numeric characters beginning with 1001.**

2. **Type** – Option is Checking Account (Check Acct) which includes all other types of account

3. **Description** – Enter the Vendor’s name for easy identification

4. **Account #** - Enter the Vendor’s bank account from the ACH Form

5. **Location** – Defaults to the District Office (do not change default)

6. **Short Desc. and Branch ID** – Optional fields (user may leave blank).
SAVE the panel after all the information has been entered.

To add additional vendor accounts within the same bank, click on Insert Row icon (or F7 key) and follow the same process as above.

The next vendor using this bank will be Bank Account: 1002
Note: After set-up of the vendor’s bank account has been completed, LACOE recommends the following procedures to be observed by the district for a global vendor:

- On the ACH Enrollment Form, write in **Bank ID** (i.e. BOA)
- Write in the **Bank Account identifier** (i.e. 1001)
- Make a copy of the ACH Enrollment Form and attach to ACH to Form G3 or A3. Retain the original ACH Enrollment Form for district’s files.
- See sample in the attachments.

**STEP 4 - USE FORM G3 (GLOBAL VENDORS) OR A3 (NON-GLOBAL VENDORS)**

- **For Global vendors** – use **Form G3** (Request for Action on Global ACH Vendor, Box A) and forward form to LACOE. LACOE will be responsible for changing the vendor to ACH method.

- **For Non-global vendors** – use **Form A3** (Request for Action on Non-Global ACH Vendor, Sections A-B). This form is forwarded to the district’s designated ACH 02 user who will be responsible for changing the vendor to ACH method.

4a. **Global Vendors - FORM G3 is made up of the following sections:**

**Box A** - **Associate** the vendor’s bank and bank account to the vendor

This is used when a new ACH form is received and the district entered the bank and account information in PeopleSoft. LACOE then needs to change the vendor information in PeopleSoft and associate or link the vendor to his bank and bank account.

**Box B** - **Confirm** the Vendor

This box is selected in Step 8 after the districts complete the preconfirmation process of sending a payment of less than $0.40 and successfully validates the vendor’s bank account information.

**Box C** - **Change** the Vendor’s bank and/or bank account number.
Box D - **Unconfirm** the Vendor.

- For a global vendor, the completed Form G3 must be sent to LACOE, who will perform the vendor update.

- After LACOE completes the global vendor update, the form is sent back to the district with a notation that the vendor association has been completed online in PeopleSoft.

### 4b. Non Global Vendors - Forms A3 and A4

- **Form A3 - Request for Action on Non-Global ACH vendors**

This form was designed for the purpose of documenting ACH set-up completion. This is an internal form that is initiated, routed and maintained within the district.

The form consists of:

A. Setting up Bank Information and Vendor Bank Account

   When a new ACH form is received from vendors, district assigned ACH01 user sets up the bank code and bank routing information in PeopleSoft. Upon completion, ACH01 user signs and the form is routed to ACH02 users.

B. Associating the Vendor's Bank and Bank Account to the vendor

   Upon receipt of Form A3 completed for Bank Code and Bank Routing Number designation, district assigned ACH02 user associates the ACH bank account for the vendor by setting up an ACH location code, selecting the appropriate bank account and changing the payment option to ACH. Upon completion, ACH02 user signs the form and it is then routed to ACH03 users.

C. Setting Vendor Pre-Confirmation status

   District assigned ACH03 user determines completion of B above and sets the vendor’s pre-confirmation status. When this is completed, pre-confirmation vouchers can now be prepared and sent. Form A3 is retained pending successful pre-confirmation.
D. Changing Vendor Pre-Confirmation status

Upon receipt of notification from designated ACH02 user that vendor confirmed receipt of pre-confirmation amount, vendor status is changed from Pre-confirmed to Confirmed.

• **Form A4 - Request for Un-confirmation of Vendor ACH Status**

  When a vendor’s status is changed to “Un-confirmed”, PeopleSoft will automatically revert payment method to Warrant Payment as opposed to ACH. Form A4 was designed to document cancellation of their participation in district ACH payment.

A. Vendor Communicates Request to Cancel Participation in District ACH Payment

Upon receipt of vendor request to not participate in district ACH payment, ACH02 designated user fills out Form and indicates the reason(s) for vendor’s cancellation of participation, signs the form and routes it to ACH03 user.

B. Un-confirmation of Vendor ACH Payment Status

The designated ACH03 user checks completion of Form A4 and resets vendor ACH status to un-confirmed. This action reverts the payment method of the vendor to the warrant payment method. The ACH03 user sends back form to ACH02 user for safekeeping.

**STEP 5 - CHANGE PAYMENT METHOD**

After the vendor’s bank and account information has been entered in PeopleSoft, vendor updates are performed to associate or link the vendor to his bank and account, as well as change his method of payment from warrant to ACH.

Navigation:
Go> Administer Procurement > Maintain Vendors
Use> Vendor Information > Location>Update/Display All

The Vendor Location Panel will display the existing location(s) for the warrant payment.

• A new location will be created for ACH.
To create a new location, click on the Insert Row icon or press F7 to insert a new record:

- Location – Enter ACH (follow this naming convention)
- Desc – Enter ACH Payment Location
- Default Box – must be checked (if ACH is defaulted payment method)
- DO NOT SAVE AT THIS TIME

Click Bank Accounts Pushbutton
Check **Default** box

Click on the **Bank dropdown** to select bank. The bank dropdown will list all the banks. Select designated bank for the vendor and click OK.
Click on the **Account** field and click on the Account dropdown to select the vendor’s account.

Select the Account (i.e. 1001) and click OK.

**DO NOT SAVE AT THIS TIME**

- Notice that the **Account** panel does not display the vendor’s actual bank account number (more or less 10 digit number assigned by the bank). Instead, the system displays the four digit bank account identifier (Mask) from the Vendor Bank Account Set-up (Step 3).

Panel from Vendor Bank Account set-up (Step 3)
Panel from the Vendor Update panel (Step 5)

- User will note that based on the two panels above, there is a separation of duties. The staff with security to set-up the vendor’s bank and bank account (ACH01 user) will not be the same staff assigned to update the vendor’s method of payment to ACH (ACH02 user). The vendor’s “true” account number will not be visible for staff doing the vendor update to ACH (Step 5). It will be masked by the identifier “1001”.

- Write the Bank (i.e. BOA) and the Bank Account (i.e. 1001, 1002, etc.) on the ACH form after Step 4 is completed. This information is needed by the LACOE user assigned to perform vendor update (Step 5) for a global vendor.

- For a non-global vendor, the mask or identifier (1001) is written in Form A3 (Request for Action on Non-Global ACH Vendors).

Next, click **Payment Options** Pushbutton.
On the **Payment Options** panel, enter the following:

1. Bank - Select **Specify**
2. Bank – Select **CITI3**
3. Account – Select District’s Bank Account, i.e. **TSAS** (BU 13994). Selection will be limited to the district’s **one** account.
4. Payment Method – Select **Specify**
5. Payment Method – Select **ACH**

Click OK.

**DO NOT SAVE AT THIS TIME.**

Note the following:

- Checking the **Separate Payment** box ensures that there is one ACH payment for every voucher. However, a credit memo **cannot** be used to offset against a voucher if this option is checked.

- The Invoice ID entered on the voucher will be transmitted on the ACH electronic file from LACOE to the vendor’s bank.

- Note that not all banks transmit or return the Invoice ID information to the vendor through the vendor’s bank statement.
From the same panel, click the **ACH Options** Pushbutton.

On the ACH Payment Options panel, enter the following:

- Check box for **Pre-confirmation Reqd**
- Status – Validate as **New**
- Click OK

**SAVE THE VENDOR PANEL.**
**STEP 6 – PRE-CONFIRM PAYMENT**

It is mandatory for districts to pre-confirm the vendor before sending regular payments through ACH.

**Importance of Pre-confirming the Vendor**

LACOE highly recommends that districts pre-confirm the vendor to ensure that the vendor’s bank account is correct.

Note the following situation that may arise if districts do **not** take the necessary steps to pre-confirm a vendor.

- When the vendor’s bank account is incorrect (i.e. data entry error, or inaccurate information on the ACH Payment Enrollment Form), payment will be rejected. District will have to close the voucher and create a new voucher for payment. This may result in district losing the savings from discounts.
- It may cause a payment to be deposited to another bank account. District will stand to lose money as resolution on this case varies from bank to bank.

**Steps for Pre-confirming the Vendor**

- District will process a voucher with gross amount anywhere from $0.01 to $0.39 (Should be less than $0.40) marked for ACH payment.

- District will perform a blind confirmation. Do not tell the vendor the amount deposited to their account. Instead, district contacts the vendor and asks them for the amount from the initial ACH payment that was deposited to their account. This should match the voucher amount.

- Districts are encouraged to request an email confirmation from the vendor with the following information:
  
  How much was deposited  
  When (Date) was the deposit received

- After district receives the vendor’s confirmation, district requests for vendor status to be changed from **Pre-confirm** to **Confirm** (Step 8).
Pre-confirm Option

When the user fails to check the **Pre-confirm** box upon setting up a vendor for ACH, the pre-confirm voucher of $0.39 or less cannot be saved and processed:

![Pre-confirm Option Image]

The user will get this error message when a voucher is processed.

![Error Message Image]

For **Interface districts**, not checking the **pre-confirm** box during ACH vendor set-up will result in voucher failing the edit process. The voucher will go into **Recycle** status. User needs to go back to the vendor panel and check the Pre-confirm box.
**STEP 7 - DISTRICT COMPLETES DESIGNATED FORMS**

Districts should do the following:

- For Global vendors – complete **Form G3** (Request for Action on **Global** ACH Vendor, Box B) and forward form to LACOE. LACOE will be responsible for confirming the vendor to ACH method (Step 9).

- For Non-global vendors – complete **Form A3** (Request for Action on **Non-Global** ACH Vendor, Box C- D). This form is forwarded to the designated district ACH 03 user who will be responsible for confirming the vendor to ACH method (Step 9).

- District advises the ACH vendor that payments for future invoices will be remitted through ACH.

**STEP 8 – VENDOR CONFIRMATION**

For non-global vendors, district will be responsible for vendor confirmation in PeopleSoft. For global vendors, vendor confirmation online will be performed by LACOE.

**Navigation:**

Go> Administer Procurement > Maintain Vendors
Use> Vendor Information > Location>Update/Display All>
[Vendor ID]>[Click OK]

From the Locations panel, click the “**ACH Options**” Pushbutton.
On the ACH Payment Options panel, click “Confirm”.

The status changes from New to Confirmed. Click Ok.

SAVE the vendor panel.

- For Global vendors- LACOE returns signed G3 form when confirmation online has been completed.

- For Non-global vendors – Assigned ACH 03 district user completes Form A3, Box D and signs this form to validate that confirmation has been done online.

- The Vendor is now ready for regular ACH payment.
Voucher Entry

Procedure for entering an ACH voucher remains the same as Warrant vouchers. There are no changes to entering a voucher for a vendor marked for ACH payment.

However, note that the user will see the following information on the Schedule Payment and Record Payment panels:

- Disbursing Bank Name (Code) – CITI3
- Payment Method – ACH (ACH mode)

Schedule Payment Panel

![Schedule Payment Panel Image]
**Voucher Approval Panel**

ACH payment vouchers must still be approved by the designated District Approver.

The Voucher Approval panel will list vouchers by **Payment Method**, with **ACH** (ACH mode) requests on top of the list, followed by the regular warrant or **CHK** requests.

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**ACH Paycycle Process and Payment Schedule**

ACH payment requests will be processed nightly on a LACOE business day.

- The nightly Paycycle process will select vouchers for audit or amount hold. An ACH voucher with audit or amount hold will be routed to Commercial Claims the next business day. Required documentation must be sent to Commercial Claims. This is the same process as with warrants.

- For vouchers not subject to audit or amount hold, a payment file is generated the 1st business day after Paycycle process and sent to LACOE’s disbursing bank (Citibank).

- The Record Payment panel will be populated with the ACH reference number (similar to a Warrant Number) and payment issue date. This will indicate to the user that an ACH payment has already been processed.
• Payment will be deposited to the vendor’s bank account the next business day following the payment issue date.

The above panel indicates that an ACH payment was issued on October 13, XXXX. The following has taken place:

• The voucher was approved at the district October 12.
• Voucher was non-audit and processed the night of October 12.
• The ACH payment was created with the next business day’s issue date of October 13.
• The ACH advice and Payment Register (LACH029S1) were printed and received at the district on October 13.
• The Record Payment panel in the voucher will be populated with the ACH reference number and issue date of October 13.
• The funds, however, are credited to the vendor’s bank account on the next business day following the payment issue date. This will be October 14.
• Districts should provide this timing information to their vendors.
**Bank Reconciliation**

Payment reconciliation is automatically scheduled to occur 4 **business days** from the issue date. The above example shows the following:

- Payment issue date: 10/13/XXXX
- Reconciled On Date: 10/17/XXXX
- Days Outstanding: 4
REJECTED ACH PRE-CONFIRMATION

When ACH pre-confirmation payment is rejected by the bank (i.e. the vendor’s bank account number is not valid), districts should do the following steps:

- For **global vendors** – the district completes Form G3, checking **Box D- Un-confirm** and sends the form to LACOE.

- LACOE will be responsible for changing the status of the global vendor from **Pre-confirm to Un-confirm**. Once completed, LACOE will return the Form G3 to the district.

- For **non-global vendors**, districts complete Form A3, Box E. The completed form is forwarded to assigned district ACH 03 user responsible for changing vendor status in PeopleSoft.

- Districts must advise vendor that pre-confirm amount was rejected.

**Changing ACH Vendor Status from Pre-confirm to Un-confirm**

Upon receipt of the completed form to un-confirm the vendor, change the payment method for the vendor from ACH to warrant online in PeopleSoft using these panels:

1. On the Vendor Location panel, change default from ACH to the check location.

   \[ \text{Go} > \text{Administer Procurement} > \text{Maintain Vendors} \]
   \[ \text{Use} > \text{Vendor Information} > \text{Location} > \text{Update/Display All} > [\text{Vendor ID}] \]

- Scroll to the ACH location and uncheck the default box. ACH will no longer be the default payment method.
• Scroll to the Warrant location (i.e. Location 1 or 001, etc.) and check the default box. Warrant will now be the default payment method.

2. From the Locations panel, click the **ACH Options** Pushbutton.
On the ACH Payment Options panel, note that unchecking the Default box on the ACH location will do the following:

- The **Pre-confirmation Reqd** field will be automatically unchecked.
- The **Confirm** and **Un-confirm** fields will also be automatically grayed out.
- User must verify these two fields.

SAVE the Vendor panel.

The Vendor is no longer marked for any ACH transaction. All payments will be made through warrants. Vendor should be advised that ACH payment method is canceled until there is resolution on vendor bank account.
ACH TROUBLESHOOTING

ACH NOTICES

A Return Items Processed (RIP) file is a file sent to LACOE by our disbursing bank which contains payments that were either rejected and/or needs correction. The list will contain a reason code for each rejected/corrected payment.

There are two types of reason codes.

• **Rejection (R) Notice Reason Code** – Payment is not transmitted to vendor for reason indicated:
  
  - R01 – Insufficient Funds
  - R02 - Account is Closed
  - R03 - Unable to locate Account
  - R04 - Invalid Account Number

  When an ACH payment is rejected, PeopleSoft will automatically void the payment and close the associated vouchers. Cancellation entries and closure entries will be posted reversing the accrual and payment entries. Be aware that a rejection will result in non-payment to your vendor.

• **Correction (C) Notice Reason Code** – Payment is received by the vendor. However, vendor information is not current per NACHA/Bank Records.

  A Notification of Change (“C” Notice) is created when previously valid information has become outdated or erroneous and should be changed. For example, bank mergers or bank name changes will trigger a Notification of Change. Because ACH goes through NACHA, payment to the vendor will still be processed and the vendor’s account will still receive the payment. The vendor’s bank account information should be updated to prevent more “C” notices from being generated.

E-Mail Notification

When an RIP file is sent to LACOE and processed in PeopleSoft, a PeopleSoft process will trigger an e-mail notification to the affected district. District needs to contact the vendor for the corrected data and update changes in PeopleSoft.

The e-mail notification will contain information such as the ACH advice number, Payee Name, Return Date, Paid Amount, Return Code and a description of what the Return Code means.
In this example, the payment was rejected “R02” because the vendor’s account was closed. District needs to contact the vendor to solicit the vendor’s new bank account information.

RIP Email Notification Panel

The ACH RIP Email Notification Panel provides the districts with an option to add, delete, or change district users that need to receive the notification. The procedure to use this panel is described below.

Navigation:
Go→Administer Procurement→Create Payments.
Use→ACH RIP E-mail Notification
Click on the Insert Row icon to add more e-mail addresses. Click on the Delete Row icon if an e-mail address needs to be taken out. Select the e-mail address to make any changes on a particular address, as needed.

Click the Save button.
The following ACH Reports are available on RAD:

<table>
<thead>
<tr>
<th>REPORT ID</th>
<th>REPORT NAME</th>
<th>DESCRIPTION</th>
<th>FREQ.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ACH Advice (2 copies)</td>
<td>Daily advice received by jetbag at the district. One copy is sent by district to the vendor. Second copy is for district file</td>
<td>D</td>
</tr>
<tr>
<td>LACH029S1</td>
<td>ACH Payment Register</td>
<td>List of all ACH payments issued for the day; includes voucher, ACH number and accounting string</td>
<td>D</td>
</tr>
<tr>
<td>LACH129C</td>
<td>ACH Payments/Rejects Report</td>
<td>List of all ACH payments issued for the month; includes voucher and ACH payment number, accounting distribution, amount paid</td>
<td>M</td>
</tr>
<tr>
<td>LACH130C</td>
<td>ACH Rejects Report</td>
<td>List of all ACH payments rejected for the month; includes voucher and ACH payment number, accounting distribution and rejected amount</td>
<td>M</td>
</tr>
<tr>
<td>LACH140C</td>
<td>YTD ACH Payments/Rejects</td>
<td>Fiscal year-to-date listing of all ACH payments and rejections from July 1st of the fiscal year to reporting date; includes voucher ACH Payment number, date of payment, date of rejection, voucher, invoice and purchase order number, vendor name, accounting distribution</td>
<td>M</td>
</tr>
<tr>
<td>LACHREJS1</td>
<td>ACH Rejection Register</td>
<td>Daily Listing of all ACH rejections, includes Vendor ID, Payee Name, Voucher, PO and REF Number, accounting distribution, payment date, amount, ACH advise number, Rejection Code and Rejection Reason, Status, YTD and MTD statistics on number of ACH issued and summary by fund</td>
<td>D</td>
</tr>
</tbody>
</table>